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# COMMENTARY

**The 2026 National Budget: Implications for South Africa and KwaZulu-Natal**

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## **1. Introduction**

The National Budget of South Africa was tabled on 25 February 2026 by Finance Minister Enoch Godongwana. The National Budget serves as the country's financial framework, outlining how government raises revenue and allocates public resources to support economic development and social priorities. According to National Treasury (2026), the budget functions as a financial roadmap that guides public expenditure, ensures fiscal discipline, and aligns government spending with national development priorities.

The budget process balances government revenue and spending through careful planning, economic forecasting, and periodic adjustments in response to fluctuating economic conditions. Revenue is primarily generated through taxation, including Value Added Tax (VAT), personal income tax, and corporate income tax. Additional revenue sources include customs duties, levies, and administrative fees. Where necessary, government raises funds through borrowing to finance expenditure (National Treasury, 2026).

Public spending is distributed across the three spheres of government: National, provincial, and local to ensure the delivery of essential public services such as education, healthcare, infrastructure development, and social protection. In addition, contingency reserves are allocated to address unforeseen events, including natural disasters and economic shocks.

The National Budget therefore affects all South Africans, as it determines how resources are allocated for public services, infrastructure development, and economic growth. Against this background, this commentary examines the 2026 National Budget, highlighting its key features and analysing its implications for both South Africa and the province of KwaZulu-Natal.

## **2. Key Features of the 2026 National Budget**

### **2.1 Global Economic Outlook**

The global economy is projected to grow by approximately 3.3% in 2026, easing slightly to 3.2% in 2027, driven by macroeconomic policies and increasing technological investment. These positive drivers are expected to offset the negative effects of geopolitical tensions and trade policy uncertainties.

Global inflation is forecast to continue moderating to 3.8% in 2026 and 3.4% in 2027, easing pressure on central banks and monetary policy (National Treasury, 2026). Economic growth in advanced economies is expected to remain moderate, while emerging markets are projected to continue driving global economic momentum. Countries such as India and regions including Sub-Saharan Africa are expected to experience stronger growth, supported by resilient domestic demand (South African Government, 2026).

However, the global economic environment remains uncertain due to ongoing geopolitical tensions and evolving international trade policies that continue to reshape global supply chains. These developments highlight the importance of diversifying trading partnerships, securing new export markets, and strengthening economic resilience against external shocks (National Treasury, 2026).

## 2.2 Domestic Economic Outlook

South Africa's economic outlook has improved moderately, and public finances have reached an important milestone. The economy is expected to grow by 1.6% in 2026, compared with an estimated 1.4% in 2025. Over the medium term, real GDP growth is projected to reach 2% by 2028, supported by structural reforms, improving investor confidence, lower interest rates, and increased investment (National Treasury, 2026).

Despite this gradual improvement, several structural challenges continue to constrain economic performance. In response, government has emphasised the need for rapid and inclusive economic growth supported by four key policy pillars; maintaining macroeconomic stability; implementing structural reforms; investing in growth-enhancing infrastructure and strengthening state capacity. These policy priorities aim to create a more competitive, inclusive, and resilient economy (National Treasury, 2026).

The fiscal strategy presented in the 2026 Budget focuses on maintaining macroeconomic stability while supporting socio-economic development. The strategy rests on four key elements:

1. Supporting economic growth through accelerated public investment
2. Improving the efficiency and composition of public spending
3. Containing the public-sector wage bill while increasing capital investment
4. Strengthening fiscal sustainability through a principles-based fiscal anchor

Government debt is projected to stabilise at 78.9% of GDP in 2025/26 before gradually declining to 77.3% in 2026/27 and 76.5% by 2028/29. The main budget primary surplus is expected to increase from 0.9% of GDP in 2025/26 to 2.3% by 2028/29, indicating efforts to improve fiscal sustainability.

The consolidated budget deficit is projected to decline to 4.5% of GDP in 2025/26, improving from the 4.8% projected in the previous budget. The deficit is expected to narrow further to 4% in 2026/27 and 3.1% in 2027/28.

Revenue collection has remained resilient despite slow economic growth. For the 2025/26 fiscal year, gross tax revenue has been revised upward by R21.3 billion, reflecting stronger-than-expected collections from VAT, corporate income tax, and dividends tax.

As a result of the improved revenue outlook, government withdrew the previously proposed R20 billion tax increases that were included in the May 2025 budget.

Several tax adjustments were introduced in the 2026 Budget:

1. Personal income tax brackets and rebates will be adjusted in line with inflation to reduce the tax burden on households.
2. The annual tax-free savings investment limit will increase from R36,000 to R46,000.
3. The retirement fund deduction limit will increase from R350,000 to R430,000.

Measures to support small businesses include increasing the VAT registration threshold from R1 million to R2.3 million, as well as raising the capital gains tax exemption on the sale of small businesses owned by older individuals. At the same time, certain excise duties will increase in line with inflation, including taxes on tobacco products, alcoholic beverages, and fuel levies.

### **3. Implications for South Africa**

Although economic growth is expected to improve modestly, the projected growth rates remain relatively low. Growth levels of around 1.6–2% are unlikely to significantly reduce South Africa's high unemployment rate of 31.4%. However, ongoing structural reforms, particularly in the energy and logistics sectors, may improve investor confidence and support long-term economic growth(SA News,2026).

The stabilisation of government debt represents an important step toward fiscal sustainability. A declining debt-to-GDP ratio may enhance investor confidence and reduce borrowing costs. However, these projections depend heavily on achieving the expected economic growth rates. If growth underperforms, fiscal consolidation may become more difficult to sustain.

Infrastructure investment remains a central priority in the budget, with public sector infrastructure expenditure projected to reach R1.07 trillion over the medium term. Increased investment in sectors such as energy, transport, and logistics has the potential to generate significant multiplier effects by improving productivity, reducing business costs, and stimulating economic activity.

Public spending on social grants continues to play a critical role in supporting vulnerable households. Social protection programmes remain essential for addressing poverty and inequality, particularly in the context of slow economic growth and persistently high unemployment.

The adjustment of income tax brackets and incentives for savings provides some financial relief for households while encouraging long-term investment. However,

increases in excise duties and fuel levies may place additional pressure on household expenditure and could contribute to inflationary pressures.

#### **4. Implications for KwaZulu-Natal**

The National Budget determines the allocation of funds to provinces through the provincial equitable share, which directly influences provincial service delivery. Municipalities within KwaZulu-Natal continue to face financial and governance challenges, and fiscal transfers and conditional grants from the national government remain essential for supporting infrastructure maintenance and improving municipal financial management (SA News, 2026).

KwaZulu-Natal MEC for Finance Francois Rodgers welcomed the 2026 Budget's emphasis on fiscal discipline and debt stabilisation. According to Rodgers, stabilising public finances is essential for protecting future generations and creating conditions for sustainable economic growth.

Rodgers also welcomed tax relief measures aimed at supporting small businesses, including the increase in the VAT registration threshold and the expansion of the capital gains tax exemption for small business sales (SA News, 2026).

However, concerns remain regarding limited fiscal relief for provincial frontline departments such as Health, Education, and Social Development, which continue to experience significant budgetary pressure. Budget allocations in these sectors have direct implications for the hiring of teachers and healthcare professionals, as well as the maintenance and development of schools and hospitals (National Treasury, 2026).

According to Rodgers, reductions in the provincial equitable share have amounted to approximately R80 billion over the past nine years. The MEC further suggested that government should consider introducing taxation on online gambling, which could generate additional revenue to support service delivery (SA News, 2026).

Infrastructure investment is particularly important for KwaZulu-Natal given the province's strategic role in national and regional trade. Of the R1.07 trillion in planned infrastructure expenditure, approximately 54.1% (R577.4 billion) will be implemented

by state-owned companies and public entities, which will pool funding from the national budget, their own revenue, and private sector investment.

Investment in transport and logistics infrastructure is especially significant for the province due to the economic importance of the Port of Durban, one of the busiest ports in Africa. Improvements in rail and port infrastructure could enhance export performance, strengthen KwaZulu-Natal's logistics sector, and reduce bottlenecks that have suppressed exports and increased the cost of doing business (South African Government, 2026).

Operation Vulindlela Phase 2, a joint initiative between the Presidency and the National Treasury, aims to accelerate structural reforms and address municipal dysfunction. The initiative focuses on modernising network industries, including electricity, water infrastructure, transport and logistics, and digital communications.

Significant progress has been reported in the electricity sector, including regulatory reforms aimed at establishing a competitive electricity market. Improvements in Transnet's operational performance, including higher rail volumes and continued fleet renewal, also support logistics efficiency. A major milestone was the signing of the long-term concession agreement for Durban Container Terminal Pier 2, which is expected to unlock significant private investment in port infrastructure and technology (National Treasury, 2026).

## **5. Conclusion**

The 2026 National Budget outlines the government's strategy for supporting economic recovery while maintaining fiscal sustainability. Key priorities include strengthening infrastructure investment, implementing structural reforms, and stabilising public finances.

For South Africa, the budget provides a framework aimed at supporting gradual economic recovery while maintaining fiscal discipline. However, the relatively modest growth projections highlight the need for continued structural reforms to stimulate higher levels of investment and job creation.

For KwaZulu-Natal, the implications of the budget are particularly significant in areas such as infrastructure development, logistics reform, and provincial service delivery. Improved infrastructure investment and the successful implementation of reforms could enhance the province's role as a key logistics and trade hub.

Overall, the success of the 2026 National Budget will depend on the effective implementation of reforms, improved public sector efficiency, and the achievement of stronger and more inclusive economic growth.

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